GUJARAT ELECTRICITY REGULATORY COMMISSION

Tariff Order:

Determination of Tariff for FY 2012-13

For

Kandla Port Trust (KPT)

Case No. 1193 of 2012

21st August 2012

1st Floor, Neptune Tower, Opp.: Nehru Bridge, Ashram Road
Ahmedabad-380 009 (Gujarat), INDIA
Phone: +91-79-26580350 Fax: +91-79-26584542
E-mail: gerc@gercin.org   Visit us: www.gercin.org

सत्यमेव जयते

GUJARAT ELECTRICITY REGULATORY COMMISSION (GERC)

AHMEDABAD

Tariff Order:

Determination of Tariff for FY 2012-13

For

Kandla Port Trust (KPT)

Case No. 1193 of 2012

21st August 2012

CONTENTS

LIST OF TABLES

ABBREVIATIONS

Abbreviation	Description
A&G	Administration and General
ARR	Annual Revenue Requirement
CERC	Central Electricity Regulatory Commission
EA, 2003	Electricity Act, 2003
FPPPA	Fuel Price and Power Purchase Adjustment
FY	Financial Year
GERC	Gujarat Electricity Regulatory Commission
GETCO	Gujarat Energy Transmission Corporation Limited
GUVNL	Gujarat Urja Vikas Nigam Limited
HT	High Tension
KPT	Kandla Port Trust
KV	Kilovolt
KVA	Kilo volt Amps
KW	Kilo Watt
kWh	kilo Watt hour
LT	Low Tension
LU	Lakh Units
MMTPA	Million Metric Tonne per Annum
MVA	Mega Volt Amps
MW	Mega Watt
MYT	Multi Year Tariff
O&M	Operations & Maintenance
P.A.	Per Annum
P.F.	Power Factor
PGVCL	Paschim Gujarat Vij Company Limited
PPA	Power Purchase Agreement
R&M	Repairs and Maintenance
RoE	Return on Equity
SEZ	Special Economic Zone
UI	Unscheduled Interchange
w.e.f	With effect from
YoY	Year on Year

Before the Gujarat Electricity Regulatory Commission at Ahmedabad

Case No. 1193 of 2012

Date of the Order: 21.08.2012

CORAM

Dr. P.K. Mishra, Chairman

Shri Pravinbhai Patel, Member

Dr. M.K. Iyer, Member

ORDER

1. Background and Brief History

1.1 Background

The Kandla Port Trust (hereinafter referred to as 'KPT' or petitioner), a distribution licensee, has filed its petition on 30th December, 2011 under section 62 of the Electricity Act, 2003 read with Gujarat Electricity Regulatory Commission (MYT) Regulations 2011 for determination of Annual Revenue Requirement (ARR) and retail supply tariff for FY 2012-13. This is the second ARR and Tariff Petition filed by KPT.

The Commission conducted a preliminary analysis and admitted the petition on 5th March 2012 under Case No. 1193 of 2012.

1.2 Kandla Port Trust

The Kandla Port is a natural harbour situated in the Kandla creek and is about 90 kms from the Gulf of Kutch with 11 dry cargo berths and a state-of-the-art container terminal with a capacity of 3.6 MMTPA. It is one of the major ports on the west coast of India under the Government of India, Ministry of Shipping and its main activity is to facilitate maritime trade for commercial cargo handling vessels.

The Kandla Port Trust (KPT) is a power distribution licensee. The license for supply of electrical energy was granted to Kandla Port by the Chief Commissioner of Kutch under the Indian Electricity Act, 1910. Consequent to the enactment of the Electricity Act, 2003, KPT has become a deemed licensee under the Act and is required to file petition under section 62 of the Act for determination of tariff by the Commission.

The distribution of electricity by KPT is limited to the port area and it supplies power to about 1600 domestic and commercial consumers and for port operations.

KPT itself carries out all major operations in the port along with another HT consumer carrying out part of the operations.

The present distribution system within the KPT comprises of one 66 kV substation and fifteen 11 kV substations in the license area. KPT is receiving 66 kV supply from GUVNL through GETCO network as per a mutual agreement with the GUVNL.

1.3 KPT Petition for FY 2011-12

KPT had submitted the petition for

1. Determination of ARR for the control period of FY 2011-12 to FY 2015-16 and
2. Retail supply tariff for FY 2011-12, on 7th December, 2010

The Commission, after following due process issued MYT order on 18th August, 2011 on ARR for the MYT period FY 2011-12 to FY 2015-16 and determination of tariff for FY 2011-12.

1.4 Admission of the current petition and the public hearing process

The Petitioner submitted the current petition for determination of Aggregate Revenue Requirement (ARR) and Retail Supply Tariff for FY 2012-13, on 30th December 2011. After technical validation, the Commission admitted the petition on 5th March 2012 under Case No. 1193 of 2012.

In accordance with section 64 of the Electricity Act 2003, the Commission directed KPT to publish its application in an abridged form to ensure public participation. The public notice was issued in the following newspapers inviting objections / suggestions from its stakeholders on the ARR petition filed by KPT.

Sr. No.	Name of the Newspaper	Language	Date of Publication
1	The Times of India	English	22nd April 2012
2	Kutch Mitra	Gujarati	22nd April 2012

Interested parties / stakeholders were asked to file their objections / suggestions on its petition on or before 22nd May 2012.

However, neither the KPT nor the Commission has received any objections / suggestions on the petition.

1.5 Approach for this Order

The Kandla Port Trust has approached the Commission with the present petition for approval of ARR and determination of Retail Supply Tariff for FY 2012-13.

The petition for determination of ARR and Retail Supply Tariff for FY 2012-13 has been considered by the Commission as per Gujarat Electricity Regulatory Commission (Multi-Year Tariff) Regulations, 2011.

1.6 Contents of the Order

This order is divided into **six** chapters as under:

1. The **first chapter** provides the background regarding the petitioner, the petition and details of the public hearing process.
2. The **second chapter** outlines the summary of the ARR petition filed by the KPT for FY 2012-13.
3. The **third chapter** deals with determination of Retail Supply Tariff for FY 2012-13.
4. The **fourth chapter** deals with directives of the Commission.
5. The **fifth chapter** deals with wheeling charges and cross subsidy surcharge for FY 2012-13
6. The **sixth chapter** deals with Fuel and Power Purchase Price Adjustment (FPPPA)

2. Summary of the ARR Petition filed by the KPT for FY 2012-13

2.1 Introduction

Kandla Port Trust (KPT) submitted the petition seeking approval of ARR and determination of tariff for the FY 2012-13. The petitioner has also submitted tariff proposal for FY 2012-13 based on the estimated revenue gap for the FY 2012-13.

2.2 ARR proposed by KPT for FY 2012-13

KPT in its petition for determination of ARR and Tariff for FY 2012-13 has projected revised ARR for FY 2012-13 as detailed in table below:

Table 2.1: Revised ARR projected by KPT for FY 2012-13

(Rs. lakh)

Sr. No.	Particulars	Projected by KPT
1.	Power purchase cost	1248.20
2.	O&M expenses	408.00
3.	Depreciation	105.60
4.	Interest cost on long term capital loan	7.80
5.	Interest on security deposit	5.05
6.	Interest on working capital	7.90
7.	Return on equity	172.30
8.	Total ARR	1954.85

2.3 Revenue at Existing Tariff

KPT has projected the revenue at existing tariff at Rs. 1110.10 lakh on the projected energy sales of 153.77 LU for FY 2012-13 including Fuel and Power Purchase Cost Adjustment as detailed in the table below:

Table 2.2: Revenue Projected at Existing Tariffs by KPT for FY 2012-13

Particulars	Energy sales (LU)	Revenue (Rs. lakhs)
Domestic (Port Employees)	9.52	33.10
Domestic (Private Residential)	1.48	4.90
Commercial	12.05	50.40
Temporary	15.61	92.60
HT Connection (ABG)	26.35	148.80
LT Connection (ABG)	1.09	4.60

Particulars	Energy sales (LU)	Revenue (Rs. lakhs)
Self Consumption (ST Lights)	8.60	31.00
Self Consumption (HT)	79.06	446.50
Total Sales	**153.77**	**811.90**
FPPPA	-	**121.50**
Revenue from surplus power	-	**176.70**
Total Revenue	**-**	**1110.10**

2.4 Revenue gap for FY 2012-13

Based on the projected ARR and the revenue at existing tariffs, KPT has projected a revenue gap of Rs. 844.8 lakh as detailed in the table below:

Table 2.3: Revenue gap for FY 2012-13 as projected by KPT

(Rs. lakh)

Sr. No.	Particulars	Projected for FY 2012-13
1.	Total ARR	1954.80
2.	Revenue at existing tariff	811.90
3.	FPPPA	121.50
4.	Revenue from surplus power	176.70
5.	Revenue gap	844.80

The KPT has proposed the tariff revision to recover the additional revenue of Rs. 396 lacs to partially meet the projected revenue gap of Rs. 844.80 lacs for FY 2012-13. KPT has estimated the resultant net gap of Rs. 448.8 lacs.

3. Determination of Retail Supply Tariff for FY 2012-13

3.1 Annual Revenue Requirement (ARR) for FY 2012-13

The Commission in its MYT Order dated 18th August 2011 had determined the ARR for each year of the control period from FY 2011-12 to FY 2015-16. The ARR approved for FY 2012-13 is given in the table below:

Table 3.1: ARR approved by the Commission for FY 2012-13

(Rs. lakh)

Sr. No.	Particulars	ARR approved for FY 2012-13
1.	Power purchase cost	900.00
2.	O&M cost (i) Employee cost (ii) R&M cost (iii) A&G expenses	278.50
3.	Depreciation	105.57
4.	Interest cost	7.09
5.	Interest on security deposit	5.05
6.	Interest on working capital	6.20
7.	Return on equity	92.14
8.	**Total ARR**	**1394.55**

Petitioner's submission

KPT in its petition for determination of ARR and Tariff for FY 2012-13 has projected revised ARR for FY 2012-13 which is in variance with the ARR approved by the Commission, in its MYT Order dated 18th August 2011, as detailed in table below:

Table 3.2: ARR projected by KPT for FY 2012-13 and ARR approved by the Commission

(Rs. lakh)

Sr. No.	Particulars	ARR approved by the Commission in MYT Order	Revised ARR projected by KPT
1.	Power purchase cost	900.00	1248.20
2.	O&M expenses	278.50	408.00
3.	Depreciation	105.57	105.60
4.	Interest cost on long term capital loan	7.09	7.80
5.	Interest on security deposit	5.05	5.05
6.	Interest on working capital	6.20	7.90
7.	Return on equity	92.14	172.30
8.	Total ARR	1394.55	1954.85

Commission's Analysis

As seen from the petition, KPT has revised the ARR for FY 2012-13 from what was approved by the Commission in the MYT Order dated 18th August, 2011.

Regulation 16.2 of GERC (Multi Year Tariff) Regulations, 2011 reads as under:

"(ii) Based on the Business Plan, the applicant shall submit the forecast of Aggregate Revenue Requirement (ARR) for the entire Control Period and expected revenue from existing tariffs for the first year of the Control Period and the Commission shall determine ARR for the entire Control Period and the tariff for the first year of the Control Period for the Generating Company, Transmission Licensee, Distribution Wires Business and Retail Supply Business;

(iii) Truing up of previous year's expenses and revenue based on Audited Accounts vis-à-vis the approved forecast and categorization of variation in performance as those caused by factors within the control of the applicant (controllable factors) and those caused by factors beyond the control of the applicant (uncontrollable factors) shall be undertaken by the Commission.

Provided that once the Commission notifies the Regulations for submission of Regulatory Accounts, the applications for tariff determination and truing up shall be based on the Regulatory Accounts;

(iv) The mechanism for pass-through of approved gains or losses on account of uncontrollable factors as specified by the Commission in these Regulations;

(v) The mechanism for sharing of approved gains or losses on account of controllable factors as specified by the Commission in these Regulations;

(vi) Annual determination of tariff for Generating Company, Transmission Licensee, Distribution Wires Business and Retail Supply Business, for each financial year within the Control Period, based on the approved forecast and results of the truing up exercise".

As seen the regulations do not provide for any revision of ARR approved by the Commission during the control period, hence Commission does not consider the revised ARR proposed by KPT for FY 2012-13.

The Commission considers ARR of Rs. 1394.55 lakh for FY 2012-13 as approved in the MYT Order dated 18th August, 2011.

3.2 Revenue at existing tariffs

KPT has revised the sales to the consumers at 153.80 LU for FY 2012-13.

Petitioner's Submission

KPT has projected the revenue at existing tariff at Rs. 1110.10 lakh on the projected energy sales for FY 2012-13 including Fuel and Power Purchase Cost Adjustment as detailed in the table below:

Table 3.3: Revenue Projected at Existing Tariffs by KPT for FY 2012-13

Revenue @ Existing Tariff	Energy sales (LU)	Revenue (Rs. lakhs)
Domestic (Port Employees)	9.52	33.10
Domestic (Private Residential)	1.48	4.90
Commercial	12.05	50.40
Temporary	15.61	92.60
HT Connection (ABG)	26.35	148.80
LT Connection (ABG)	1.09	4.60
Self Consumption (ST Lights)	8.60	31.00
Self Consumption (HT)	79.06	446.50
Total Sales	**153.77**	**811.90**
FPPPA	-	**121.50**
Revenue from surplus power	-	**176.70**
Total Revenue	**-**	**1110.10**

Commission's Analysis

The Commission had approved energy sales of 148.54 MU, in its MYT Order dated 18th August 2011, for FY 2012-13 as given in the table below:

Table 3.4: Energy sales approved by the Commission for FY 2012-13

Sr. No.	Particulars	Energy sales in LU for FY 2012-13
1.	Domestic (Port employees)	10.90
2.	Domestic (Pvt. employees)	1.69
3.	Commercial	12.90
4.	Port operation (Temporary)	16.20
5.	HT connection (ABG)	24.30
6.	LT connection (ABG)	1.05
7.	Street lighting (KPT)	8.60
8.	KPT (HT)	72.90
	Total	**148.54**

The Commission has verified the energy sales and revenue at existing tariffs projected by KPT as given in Table 3.3 above. KPT has taken revised energy sales to consumers at 153.80 LU against 148.54 LU approved by the Commission in the MYT Order dated 18th August, 2011.

KPT has worked out the revenue at the existing PGVCL tariffs as directed by the Commission in the Tariff Order dated 18th August 2011 on the revised energy sales.

The Commission has considered only the energy sales approved by the Commission in the MYT Order dated 18th August, 2011 and worked out the revenue. The Commission has not considered any sale of surplus power as no surplus is considered by the Commission in the quantum of energy purchased. The revenue at existing tariffs of KPT works out to Rs. 908.34 lakh as detailed in the table below:

Table 3.5: Revenue at existing tariffs for FY 2012-13

(Rs. lakh)

Particulars	Energy sales (LU)	Average rate (Rs./kWh)	Revenue (Rs. lakh)
Domestic (Port employees)	10.90	3.47	37.82
Domestic (Pvt. residential)	1.69	3.27	5.53
Commercial	12.90	4.30	53.47
Port operation (Temporary)	16.20	5.87	95.10
HT connection (ABG)	24.30	5.78	140.45
LT connection (ABG)	1.05	4.18	4.39
Street lighting (KPT)	8.60	3.60	30.96
KPT (HT)	72.90	5.78	421.36
Total revenue from sales	148.54		791.08
FPPPA		0.79	117.35
Total revenue			908.43

The Commission, accordingly, considers the revenue from sale of power at existing tariffs at Rs. 908.43 lakh for sale of 148.54 LU during FY 2012-13.

3.3 Revenue gap and tariff proposal for FY 2012-13

Petitioner's submission

KPT has revised the ARR to Rs. 1954.90 lakh against Rs. 1394.55 lakh approved by the Commission in its MYT Order dated 18th August, 2011, estimated the revenue at existing tariff including sale of surplus power at Rs. 1110.10 lakh and arrived at a gap of Rs. 844.80 lakh as given in the table below.

Table 3.6: Revenue gap at existing tariff for FY 2012-13 as projected by KPT

(Rs. lakh)

Sr. No.	Particulars	Projected for FY 2012-13
1.	Total ARR	1954.80
2.	Revenue at existing tariff	811.90
3.	FPPPA	121.50
4.	Revenue from surplus power	176.70
5.	Revenue gap	844.80

Commission's Analysis

The Commission has considered the ARR at Rs. 1394.55 lakh as approved in MYT Order dated 18th August, 2011 and revenue at existing tariff at Rs. 908.43 lakh as given in the table 3.5.

The revenue gap for FY 2012-13 at existing tariff would be Rs. 486.12 lakh as given in the table below:

Table 3.7: Revenue gap at existing tariff for FY 2012-13 computed by the Commission

(Rs. lakh)

Particulars	FY 2012-13
ARR approved by FY 2012-13	1394.55
Revenue at existing tariff including FPPPA	908.43
Revenue gap	486.12

3.4 Determination of tariff for FY 2012-13

Petitioner's submission

KPT has submitted that the existing tariffs are inadequate to fill the projected gap for FY 2012-13 and requested to revise applicable tariffs for KPT consumers.

KPT has also submitted that the sales to HT category forms approximately 76% of the total sales of the licensee area and the per unit revenue realization from the category is below the average cost of supply leading to revenue loss. It has further submitted that the average cost of supply is also high primarily due to increase in power purchase cost. KPT proposes to increase the tariff to HT consumer to over the average cost of supply and also some increase to domestic, commercial, street lighting and temporary supply consumers.

KPT has proposed to merge domestic (private residential) and domestic (port employees) categories to avoid discrimination between the two classes of consumers. On account of the same reason, KPT has proposed to merge ABG (LT) consumption and Commercial category.

KPT has proposed the revised tariff structure for various consumer categories. The existing and proposed tariff structure for various consumer categories is summarized in table below.

Table 3.8: Existing & Proposed Tariff Structure for FY 2012-13

Tariff Structure	Unit	Existing	Proposed
RGP (Domestic)			
Fixed Charges			
0-2 KW	Rs./month	5	10
2-4 KW	Rs./month	15	20
4-6 KW	Rs./month	30	30
Above 6 KW	Rs./month	45	45
Energy Charges			
1st 50 Units	Rs./unit	2.95	3.2
51 to 100 Units	Rs./unit	3.25	3.6
100 to 250 Units	Rs./unit	3.90	4.2
Beyond 250 Units	Rs./unit	4.80	5.0
Non-RGP (Commercial)			
Fixed Charges			
0-10 KW	Rs./KW/month	30	50
10-40 KW	Rs./KW/month	55	75
Above 40 KW (LTMD)	Rs./KW/month	165	175
Energy Charges			
0-10 KW	Rs./unit	3.90	4.5
10-40 KW	Rs./unit	4.20	5.0
Above 40 KW (LTMD)	Rs./unit	4.25	5.5
SL (Street Lights)			
Public Lighting	Rs./unit	3.60	4.0
TMP (Temporary)			
Fixed charge	Rs./KW/day	14	15
Energy charge	Rs./unit	4.25	6.0
HTP-1 (HT)			
Fixed Charges			
First 500 KVA of billing demand	Rs./KVA/month	100	150
First 500 KVA of billing demand	Rs./KVA/month	200	250
Beyond 1000 KVA	Rs./KVA/month	270	350
Energy Charges			
Upto 500 KVA of billing demand	Rs./unit	3.90	6.5

Tariff Structure	Unit	Existing	Proposed
Next 2000 KVA of billing demand	Rs./unit	4.10	7.0
Beyond 2500 KVA of billing demand	Rs./unit	4.20	7.5

KPT has worked out the revenue at the existing PGVCL tariff and at proposed tariff for FY 2012-13 on the revised energy sales proposed in the petition as shown in Table below.

Table 3.9: Revenue at Existing and Proposed Tariff for FY 2012-13

Category-wise Revenue	Proposed Sales (Lac units)	Avg. Existing Tariff (Rs./Unit)	Revenue at Existing Tariff	Proposed Avg. Tariff (Rs./Unit)	Revenue at Proposed Tariff
Domestic (Port Employees)	9.5	3.48	33.1	3.82	42.03
Domestic (Private Residential)	1.5	3.31	4.9		
Commercial	12.0	4.18	50.4	4.98	65.22
LT Connection (ABG)	1.1	4.18	4.5		
Temporary	15.6	5.93	92.6	7.80	121.77
Street Lights	8.6	3.60	31.0	4.00	34.40
HT Consumption (ABG)	26.4	5.65	148.8	8.96	944.28
HT Consumption (Self)	79.1	5.65	446.5		
Sub-Total Total	**153.8**		**811.9**		**1207.70**
FPPPA		0.79	121.5		121.5
Surplus Power		4.00	176.7		176.7
Total			**1110.1**		**1505.91**

Commission's Analysis

The Commission has examined the proposal of KPT for revision of tariffs as the existing tariffs are not adequate to meet the revenue gap. The Commission in its MYT Order dated 18th August, 2011 directed KPT to continue to charge its consumers at the PGVCL tariffs from time to time till further orders. The tariffs of PGVCL were revised by Commission in its Tariff order dated 6th September, 2011. The revised tariffs of PGVCL came into force from 1st September, 2011 and KPT is implementing the revised tariffs to its consumers.

The Commission has approved the ARR of Rs. 1394.55 lacs and sales of 148.54 LU in its MYT Order which results the average cost of supply of KPT for FY 2012-13 at Rs. 9.4 / kWh. This is mainly due to the power purchase cost as approved by the Commission for FY 2012-13 at Rs. 5.52 / kWh based on the arrangement KPT has with GUVNL.

In view of high power purchase cost and other costs, implementation of PGVCL tariffs by KPT will result in considerable revenue gap. The Commission, has therefore, considered to revise the tariffs of KPT to reduce the gap to some extent. Any revision of tariffs to the level of average cost of supply to all the consumers will result in tariff shock. The Commission, therefore, approves the tariffs with moderate increase being the first tariff order as given in the Tariff Schedule.

KPT had projected energy sales and revenue for Domestic (Port Employees) and Domestic (Private Employees) categories separately in MYT Petition. Further, KPT has proposed to merge both these categories. Actually, there are no separate tariff categories for Domestic (Port Employees) and Domestic (Private Employees). As such, the Commission approves the proposal of KPT to consider the combined energy sales and revenue of Domestic (Port Employees) and Domestic (Private Employees) categories.

Further, the Commission has, in the present order, attempted to rationalize the tariff structure in respect of low tension power supply as follows.

The existing LFD-I tariff category provides tariff rates for lighting consumption of Residential premises and existing LTP-I category provides tariff rates for motive power consumption (excluding water works) of Residential premises. Now, this category is renamed as “RGP” and modified to cover aggregate consumption of Residential premises having connected load up to 100 kVA.

The existing LFD-II category provides tariff rates for lighting consumption of Commercial/Industrial premises and existing LTP-I category provides tariff rates for motive power consumption of Commercial/Industrial premises. Both of these categories are now merged and installations having connected load up to 40 kW of commercial, industrial, office premises, institutional and other premises are clubbed into one category named as “Non-RGP”.

Installations having aggregate connected load above 40 kW of Commercial / Industrial / office / institutional premises are now covered under existing LTP-III tariff category, which is renamed as “LTMD” category.

The revenue from revised tariffs is given in the table below:

Table 3.10: Revenue from revised tariffs approved by the Commission for FY 2012-13

Sr. No.	Particulars	Energy sales (MU)	Revised tariff average rate / kWh	Revenue from revised tariff (Rs. lakh)
1.	Domestic (Port employees and Private)	12.59	3.95	49.73
2.	Commercial (including LT (ABG))	13.95	5.06	70.59
3.	Port operation (temporary)	16.20	7.04	114.05
4.	HT connection ABG	24.30	7.18	174.47
5.	Street light	8.60	4.15	35.69
6.	Self consumption – Port trust	72.90	7.18	523.42
7.	Total revenue from sales	148.54	-	967.95
8.	FPPPA as existing	0.79	-	117.35
9.	**Total revenue**			1085.30

The revised Tariff Schedule is annexed to this order.

3.5 Revised gap with proposed tariff

The revenue gap with revised tariffs works out to Rs. 309.25 lakh as given in table below:

Table 3.11: Revised revenue approved by the Commission

(Rs. lakh)

Particulars	FY 2012-13
Approved ARR	1394.55
Revenue at revised tariff	1085.30
Revenue gap / (surplus) with revised tariff	309.25

The revision of tariffs still leaves a gap of Rs. 309.25 lakh.

The Commission observed from the tariff petition filed by KPT that the consumption by KPT for port operations is not metered and billed. The consumption by KPT for port operation is nearly 50% of total consumption and about 75% of consumption by HT category. The KPT estimated the energy sales and revenue for port operations on the basis of the ratio of number of cranes of a HT consumer (ABG) to the number of canes of the port itself. This method does not give the true picture of distribution loss as well as revenue. Moreover, the KPT has not maintained the separate asset register and separate accounts of port and distribution business. Hence, the Commission has decided that it will review the gap during the true up of FY 2011-12 subject to submission of separate account, duly certified by statutory auditor, for distribution business.

4. Compliance of Directives

4.1 Compliance of earlier directives

The Commission, in its tariff order dated 18th August 2011, had issued various directives to KPT, which has submitted a compliance report on the directives in the current petition for approval of ARR and determination of tariff by FY 2012-13. The Commission's comments on the status of compliance of the directives by KPT are given below:

Directive 1: Metering of consumers

Under Section 55 of the Electricity Act 2003, no licensee shall supply electricity after the expiry of two years from the appropriate date (10th December 2003) except through installation of a correct meter in accordance with the regulations to be made by the Central Electricity Authority.

The Commission observes from the ARR and Tariff Petition filed by KPT that the consumption by KPT for port operations and streetlights is not metered.

Further, KPT was directed to provide, within a period of 3 months, appropriate meters at all the supply points for port operations, street lights and other consumers within its license area.

Compliance

Following the Commission's directives, KPT moved a proposal for metering of all the unmetered connections. KPT has floated a tender for appointment of vendors to provide appropriate meters to all the consumers within the license area. The same shall be processed within three to four months and would be communicated to the Hon'ble Commission during later submissions by KPT.

Commission's comments

All consumers should have been provided meters much earlier. Action taken so far is not satisfactory. The whole process shall be expedited and meters provided to all consumers by October 2012 and reported to the Commission.

Directive 2: Assessment of Distribution Losses

Apart from providing meters to all the consumers, the licensee was directed to provide meters on 11kV feeders, distribution transformers and conduct energy accounting to arrive at the actual distribution losses in the system and take appropriate action to reduce the distribution losses to the level prescribed by the Commission in this order.

Compliance

Following the Commission's directives, KPT moved another proposal for metering of HT panels, feeders, distribution transformers required to conduct energy accounting for determining the actual distribution losses in the system. The same is under process and shall be completed in due course of time.

KPT is also committed towards reduction of distribution losses in the system and taking appropriate measures on this regard. Recently KPT replaced 2.5 kilometers of deteriorated HT overhead lines which contribute towards significant reduction in consumption within the license area.

Commission's comments

Unless meters are provided to all the consumers, at distribution transformer level and feeders, energy audit cannot be conducted to determine the distribution losses.

KPT shall conduct the energy audit after completion of metering and submit the final report by December 2012.

Directive 3: Separation of accounts of distribution business

The licensee has stated that the data on all expenses for ARR is segregated from the combined expenses of port and distribution business.

Since the distribution business is now under regulated regime, the licensee was directed to maintain asset register and separate accounts duly certified by statutory auditors, for distribution business from FY 2011-12 onwards and develop balance sheet and profit & loss account etc. for the distribution business and submit data of expenses from the separate accounts maintained in the ARR and Tariff Petition for FY 2012-13.

Compliance

Following the Commission's directives, KPT moved a proposal for the separation of accounts of distribution business. The same has been submitted to the competent authority for taking necessary approvals after which KPT would take immediate action to separate accounts of distribution business from the port operations.

In the meanwhile, KPT's electricity division is streamlining the accounting operations internally by maintaining separate asset registers and other expenses pertaining to the distribution operations. Further, KPT would like to submit to the Hon'ble Commission that since it is only the first year of operation as a distribution licensee under the regulatory regime, KPT's current infrastructure is inadequate to overcome the initial impediments. However, KPT is committed towards setting up as a fully functional distribution licensee.

Commission's comments

Commission has taken note of action taken. KPT shall expedite the process to maintain separate accounts for distribution business. Such separate accounts for licensed business are essential and submit the accounts in the next tariff petition.

Directive 4: Business Plan

The petitioner did not submit the business plan along with MYT petition for FY 2011-12 to FY 2015-16. The licensee is directed to prepare and submit the business plan for the control period in accordance with GERC (MYT) Regulations, 2011 by September, 2011.

Compliance

KPT would like to submit that immediately after the MYT order on 18th August 2011, KPT took immediate action towards formulation of business plan. However given the limitations of restricted manpower and inadequate infrastructure, the same couldn't be completed in time. KPT has now moved a proposal for engagement of consultants for preparation of five year business plan for KPT's distribution business as well as for recommendation of measures to reduce power purchase costs which is higher at present as compared to other distribution utilities operating in the state.

Commission's comments

KPT may engage an agency for preparation of 'Business Plan' for the control period early and get the Business Plan prepared and submit to the Commission along with next tariff petition in November, 2012.

Directive 5: Meter reading and Billing

The licensee shall organize meter readings preferably using hand-held machines and develop appropriate organization for meter reading, billing and revenue realization. The required software may also be got developed to be in position for billing, revenue accounting etc.

Compliance

KPT has a MIS system currently in place for automatic generation of consumers' bills and some other basic functionality. KPT currently is under process of updation of MIS as per the latest tariffs applicable in the area.

Commission's comments

At present KPT has a few metered consumers. Once meters are provided to all consumers, the volume of work connected with meter reading, billing etc. would increase. It is again reiterated that KPT should develop proper organization for meter readings, billing and to attend consumer complaints etc. and also to develop the required software at the earliest.

Directive 6: Capacity Building

The KPT was directed to train the staff in meter reading, billing, revenue realization and other distribution activities. KPT shall also develop proper organization to manage the distribution system and also control any pilferage of energy etc.

Compliance

KPT is in the process of engagement of consultants for providing recommendations to develop the distribution business going forward. Capacity building is also a part of the recommendations which will be taken forward by KPT in due course of time.

Commission's comments

The Commission has taken note of the action taken. KPT shall take action on priority to appoint consultants or on its own to develop the organization to handle all the distribution activities efficiently.

Directive 7: Revenue from consumers at existing tariff rates, non-tariff income etc. and proposed tariff schedule

The KPT has not furnished the revenue through sale of energy to consumers, other income from consumers etc.

The KPT was directed to submit the following in the tariff petition for FY 2012-13.

(i) Revenue through sale of energy at existing tariff.

(ii) Non-tariff income (consumer related and others).

(iii) Proposed retail supply tariff.

(iv) Proposed tariff schedule.

Compliance

The required details are submitted in this petition.

Commission's comments

Non-tariff income has not been projected. KPT should estimate the non-tariff income based on previous experience and submit in the next tariff petition.

Fresh Directives

Directive 1: Power Purchase Cost

KPT is purchasing power from GUVNL at present. The cost / unit is high resulting in high tariffs to consumers. KPT may explore the possibility of purchase of power at more economical rates so as to reduce the tariff burden on the consumers.

5. Wheeling Charges and Cross Subsidy Surcharge

5.1 Introduction

Regulation 88.1 of MYT Regulations, 2011 stipulates that the Commission shall specify the wheeling charges of distribution wires business of the distribution licensee in the ARR and Tariff Order.

The KPT has not provided the allocation methodology between the wheeling and retail supply business. The Commission has, however, segregated the expenses between the distribution works business and retail supply business as per the allocation matrix given in section 81.1 of MYT Regulation, 2011.

The Regulations provide the allocation matrix as below:

Table 5.1: Allocation of matrix for segregation of expenses between distribution wires business and retail supply business

Sr. No.	Particulars	Wires Business (%)	Retail supply Business (%)
1.	Power purchase expenses	0	100
2.	Employee expenses	60	40
3.	A&G expenses	50	50
4.	R&M expenses	90	10
5.	Depreciation	90	10
6.	Interest on long-term capital investment	90	10
7.	Interest on working capital and consumer security deposit	10	90
8.	Bad debts written off	0	100
9.	Income tax	90	10
10.	Transmission charges	0	100
11.	Contribution to contingency reserve, if any.	100	0
12.	Return on equity	90	10
13.	Non-tariff income	10	90

5.2 Allocation of ARR

The approved ARR for wires business and retail supply business for FY 2012-13 are computed as shown below:

Table 5.2: Allocation of ARR between wheeling (wires business) and retail supply business for FY 2011-12

(Rs. lakh)

Sr. No.	Cost components	Total	Wheeling (Wires Business)	Retail Supply
1.	Power purchase expenses	900.00	-	900.00
2.	Employee cost			
3.	A&G expenses	278.50	167.10	111.40
4.	R&M cost			
5.	Depreciation	105.57	95.01	10.56
6.	Interest on long-term loans	7.09	6.38	0.71
7.	Interest security deposit	5.05	0.50	4.55
8.	Interest on working capital	6.20	0.62	5.58
9.	Return on equity	92.14	82.93	9.21
	Total	**1394.55**	**352.54**	**1042.01**

5.3 Wheeling charges

The wheeling charge at 11 kV voltage is given in the table below:

Table 5.3: Wheeling charges computed at 11 kV voltage

Sr. No.	Particulars	Units	Amount
1.	Total distribution cost (wheeling cost)	Rs. lakh	352.54
2.	Energy input at 11 kV	LU	162.78
3.	Wheeling charge at 11 kV	Rs/kWh	2.17

It is observed from the above table that the wheeling charges for KPT distribution network works out very high when compared with the wheeling charges of other distribution licensees in the State. Further, the first truing up exercise for KPT on the basis of segregated accounts for regulated business of distribution of electricity may be undertaken during the next tariff exercise. In view of this and in order to promote competition, the Commission decides to adopt the wheeling charges applicable to PGVCL area as per the tariff order dated 2nd June, 2012, for distribution license area of KPT. The wheeling charges are given in the table below.

Table 5.4: Approved Wheeling Charges for KPT for FY 2012-13

Sr. No.	Particulars	Units	Amount
1	Wheeling charges at 11 kV	Ps./kWh	11
2	Wheeling charges at 400 V (LT)	Ps./kWh	41

However, the wheeling loss applicable to KPT licensed area will be 8.75% which is the distribution loss approved for FY 2012-13 in the MYT Order dated 18th August, 2011.

5.4 Cross subsidy surcharge

The Commission has decided to continue the cross subsidy surcharge for the KPT area as determined for PGVCL in the Tariff Order dated 2nd June, 2012 at Rs. 0.39/kwh.

6. Fuel and Power Purchase Price Adjustment Charges

6.1 Petitioner Submission

KPT is sourcing power from GUVNL for meeting its power requirement for KPT licensed area. KPT purchases power from GUVNL as per mutually agreed tariff from time to time.

Existing arrangement between KPT and GUVNL is governed through the supplemental agreement dated 7th March, 2011 and in this agreement it is provided that *"FPPPA charges determined in accordance with the approved formula of GERC will also be applicable with 2006-07 as the Base year."*

It is also submitted by the KPT that at present it is charging the same rate of FPPPA to their consumers as GUVNL is charging to KPT in its power purchase bill.

6.2 Commission's Analysis

The Commission has already approved a formula for fuel and power purchase adjustment for the distribution companies to recover costs from consumers for any variation in the fuel and power purchase costs in the order dated 25th June, 2004 (Case No. 252/2003). As KPT does not have its own generating station, the Commission modifies the existing formula for recovery of any variation in power purchase cost by KPT as under:

$$\mathbf{FPPPA = [\,PPP_1 + PPP_2\,] \div [S.E.]}$$

Where,

$$PPP_1 = \sum_{m=1}^{k} [(VC_A - VC_B) \times Q_A] ;$$

Where,

PPP_1	Adjustment on account of variable cost of power purchased in Rs. Millions
m	1 to k, the sources from which power is purchased
VC_A	Is the variable cost per unit of delivered energy, computed based on the principles laid down in the power purchase agreements in Rs. / KWh
VC_B	Is the base variable cost per unit of delivered energy from each source in

	Rs. / KWh
Q_A	Is the actual level of power purchases from each source in million units.

$$PPP_2 = \sum_{m=1}^{k} [(FC_A - FC_B)]$$

Where,

PPP_2	Adjustment on account of fixed cost of power purchased in Rs. Millions
m	1 to k, the sources from which power is purchased
FC_A	Is the actual fixed cost paid in Rs. Millions
FC_B	Is the base fixed costs payable in Rs. Millions

and

S.E. (in MU) = [(Total Sales in MU + Excess T & D loss in MU)]

Where,

Total Sales = Actual energy sold to metered categories in MU + Estimated energy supplied to un-metered consumers based on norms approved, in MU

Excess T & D loss in MU=
{(Net Generation in MU + Power Purchase in MU – Total sales in MU)} -
{(Net Generation in MU + Power Purchase in MU) X (%T& D loss Norm)}

Where,
% T & D loss Norm = % T & D loss level approved by the Commission.

Base price of power purchase

The KPT shall adopt the above formula for FY 2012-13, with the base price of power purchase at Rs. 5.52 / kWh. KPT may claim any variation in the power purchase price as per the modified formula.

In the revenue calculation the Commission has included Rs. 0.79 / kWh as FPPPA charges for different categories. Accordingly, base FPPPA charge is fixed at Rs. 0.79 / kWh.

Information regarding FPPPA recovery and the FPPPA calculations submitted to the Commission for approval shall be kept on the website of KPT as and when such proposal is submitted by KPT.

For any increase in FPPPA beyond ten (10) paise per kWh in a quarter, prior approval of the Commission shall be necessary, and only on approval of such increase by the Commission, the FPPPA can be billed to the consumers.

For any claim of FPPPA, the documents for approval of FPPPA shall be submitted to the Commission within one month from end of the relevant quarter.

COMMISSION'S ORDER

The Commission approves the Aggregate Revenue Requirement (ARR) for the Kandla Port Trust (KPT) for FY 2012-13 as shown in the following Table:

(Rs. lakh)

Sr. No.	Particulars	FY 2012-13
1.	Power purchase cost	900.00
2.	O&M cost	278.50
3.	Depreciation	105.57
4.	Interest cost	7.09
5.	Interest on security deposit	5.05
6.	Interest on working capital	6.20
7.	Return on equity	92.14
8.	**Total ARR**	**1394.55**

The approved retail supply tariff will be in accordance with the Tariff Schedule annexed to this order. The order shall come into force from 1st September 2012.

Sd/-	Sd/-	Sd/-
DR. M.K. IYER	**SHRI PRAVINBHAI PATEL**	**DR. P.K. MISHRA**
Member	Member	Chairman

Place: Ahmedabad

Date: 21st August 2012

ANNEXURE: TARIFF SCHEDULE

KANDLA PORT TRUST

TARIFF FOR SUPPLY OF ELECTRICITY AT LOW TENSION, HIGH TENSION, AND EXTRA HIGH TENSION

Effective from 1st September 2012

GENERAL

1. The tariff figures indicated in this tariff schedule are the tariff rates payable by the consumers of KPT.

2. These tariffs are exclusive of Electricity Duty, tax on sale of electricity, taxes and other charges levied by the Government or other competent authorities from time to time which are payable by the consumers, in addition to the charges levied as per the tariff.

3. All these tariffs for power supply are applicable to only one point of supply.

4. The charges specified are on monthly basis. Distribution Licensee may decide the period of billing and adjust the tariff rate accordingly.

5. Except in cases where the supply is used for the purpose for which the Distribution Licensee has permitted lower tariff, the power supplied to any consumer shall be utilized only for the purpose for which supply is taken and as provided for in the tariff.

6. Meter charges shall be applicable as prescribed under 'GERC (Licensee's Power to Recover Expenditure incurred in providing supply and other Miscellaneous Charges) Regulations, 2005 as in force from time to time.

7. The various provisions of the GERC (licensee's power to recover expenditure incurred in providing supply and other miscellaneous charges) Regulations will continue to apply.

8. Conversion of Ratings of electrical appliances and equipments from kilowatt to B.H.P. or vice versa will be done, when necessary, at the rate of 0.746 kilowatt equal to 1 B.H.P.

9. The billing of fixed charges based on contracted load or maximum demand shall be done in multiples of 0.5 (one half) Horse Power or kilo watt (HP or kW) as the case

may be. The fraction of less than 0.5 shall be rounded to next 0.5. The billing of energy charges will be done on complete one kilo-watt-hour (kWh).

10. The Connected Load for the purpose of billing will be taken as the maximum load connected during the billing period.

11. The Fixed charges, minimum charges, demand charges, meter rent and the slabs of consumption of energy for energy charges mentioned shall not be subject to any adjustment on account of existence of any broken period within billing period arising from consumer supply being connected or disconnected any time within the duration of billing period for any reason.

12. Contract Demand shall mean the maximum kW for the supply of which licensee undertakes to provide facilities to the consumer from time to time.

13. Fuel Cost and Power Purchase Adjustment Charges shall be applicable in accordance with the Formula approved by the Gujarat Electricity Regulatory Commission from time to time.

14. Payment of penal charges for usage in excess of contract demand / load for any billing period does not entitle the consumer to draw in excess of contract demand / load as a matter of right.

15. The payment of power factor penalty does not exempt the consumer from taking steps to improve the power factor to the levels specified in the Regulations notified under the Electricity Act, 2003 and licensee shall be entitled to take any other action deemed necessary and authorized under the Act.

16. Delayed payment charges for all consumers:

    No delayed payment charges shall be levied if the bill is paid within ten days from the date of billing (excluding the date of billing).

    Delayed payment charges will be levied at the rate of 15% per annum for the period from due date to the date of payment of bill.
    For Government dues, the delayed payment charges will be levied at the rate provided under the relevant Electricity Duty Act.

PART - I

SCHEDULE OF TARIFF FOR SUPPLY OF ELECTRICITY AT LOW AND MEDIUM VOLTAGE

1.0 RATE: RGP

This tariff is applicable for supply of electricity to residential premises and pumping stations run by local authorities.

Single-phase supply: Aggregate load up to 6 kW
Three-phase supply: Aggregate load above 6 kW

1.1 Fixed Charges/Month:

Range of Connected Load: (Other than BPL Consumers)

(a)	Up to and including 2 kW	Rs.10/- per month
(b)	Above 2 and up to 4 kW	Rs.20/- per month
(c)	Above 4 and up to 6 kW	Rs.30/- per month
(d)	Above 6 kW	Rs.45/- per month

1.2 Energy Charges: For the total monthly consumption:

(a)	First 50 units	325 Paise per Unit
(b)	Next 50 units	375 Paise per Unit
(c)	Next 150 units	450 Paise per Unit
(d)	Above 250 units	550 Paise per Unit

1.3 Minimum bill (excluding meter charges)

Payment of fixed charges as specified in 1.1 above.

2.0 RATE: NON-RGP

This tariff is applicable to the services for the premises those are not covered in any other tariff categories and having aggregate load up to and including 40kW.

2.1 Fixed Charges:

Range of Connected Load:

(a)	Up to and including 10 kW	Rs.50/kW/Month
(b)	Above 10 and up to 40 kW	Rs.75/kW/Month

PLUS

2.2 Energy Charges:

(a)	Up to and including 10 kW	450 Paise per Unit
(b)	Above 10 and up to 40 kW	485 Paise per Unit

2.3 Minimum Bill (excluding meter charges):

Payment of fixed charges as specified in 2.1 above

3.0 RATE: LTMD

This tariff is applicable to the services for the premises those are not covered in any other tariff categories and having aggregate load above 40kW and up to 100kW.

This tariff shall also be applicable to consumer covered in category- ‘Rate: Non-RGP’ so opts to be charged in place of ‘Rate: Non-RGP’ tariff.

3.1 Fixed charges:

(a)	**For billing demand up to the contract demand**	
	(i) For first 40 kW of billing demand	Rs. 85/- per kW per month
	(ii) Next 20 kW of billing demand	Rs. 130/- per kW per month
	(iii) Above 60 kW of billing demand	Rs. 200/- per kW per month
(b)	**For billing demand in excess of the contract demand**	Rs. 250/- per kW

PLUS

3.2 Energy charges:

For the entire consumption during the month	490 Paise per Unit

3.3 Billing Demand

The billing demand shall be highest of the following, rounded to the next full kW:

(a) Eighty-five percent of the contract demand

(b) Actual maximum demand registered during the month

(c) 15 kW

3.4 Minimum Bill

Payment of demand charges every month based on the billing demand.

4.0 RATE: SL (Street Lights)

4.1 Tariff for Street Light for Local Authorities and Industrial Estates:

This tariff includes the provision of maintenance, operation and control of the street lighting system.

4.1.1 Energy Charges:

For all units consumed during the month: For streetlights operated by industrial estates	415 Paise per Unit

4.1.2 Minimum Charges:

The minimum energy consumption is prescribed for consumer with more than 50 street lights within a village or an industrial estate, as the case may be, as equivalent to 2200 units per annum per kilo watt of connected load during the year.

4.1.3 Renewal and Replacement of Lamps:

The consumer shall arrange for renewal and replacement of lamp at his cost by person authorized by him in this behalf under Rule-3 of the Indian Electricity Rules, 1956 / Rules issued by CEA under the Electricity Act, 2003.

5.0 RATE: TMP (Temporary):

This tariff is applicable to services for temporary supply at the low voltage.

5.1 Fixed Charges

Fixed Charges	Rs. 15/kW/Day

5.2 Energy Charges:

For the supply used for the purposes stipulated in respective tariff for permanent supply:

All units	530 Paise per unit

5.3 Minimum charges:

Payment of fixed charges as in 5.1 above.

PART - II

TARIFFS FOR SUPPLY OF ELECTRICITY AT HIGH TENSION

(3.3 KV AND ABOVE, 3-PHASE 50 C/S), AND EXTRA HIGH TENSION

6.0 RATE: HTP-I

This tariff will be applicable for supply of electricity to HT consumers contracted for 100 kVA and above.

6.1 Demand Charges:

6.1.1 For billing demand up to contract demand

(a)	For first 500 kVA of billing demand	Rs. 125/- per kVA per month
(b)	For next 500 kVA of billing demand	Rs. 250/- per kVA per month
(c)	Beyond 1000 kVA of billing demand	Rs. 335/- per kVA per month

6.1.2 For Billing Demand in Excess of Contract Demand

For billing demand in excess over the contract demand	Rs. 425 per kVA per month

PLUS

6.2 Energy Charges

For entire consumption during the month		
(a)	Up to 500 kVA of billing demand	490 Paise per Unit
(b)	Next 2000 kVA of billing demand	515 Paise per Unit
(c)	Beyond 2500 kVA of billing demand	530 Paise per Unit

PLUS

6.3 Time of Use Charges:

For energy consumption during the two peak periods, viz., 0700 Hrs to 1100 Hrs and 1800 Hrs to 2200 Hrs	
(a) For Billing Demand up to 500kVA	35 Paise per Unit
(b) For Billing Demand above 500kVA	75 Paise per Unit

6.4 Billing Demand

The billing demand shall be the highest of the following:

(a) Actual maximum demand established during the month

(b) Eighty-five percent of the contract demand

(c) One hundred kVA

6.5 Minimum Bills:

Payment of “demand charges” based on kVA of billing demand.

6.6 Power Factor:

6.6.1 Power Factor Adjustment Charges:

(a) The power factor adjustment charges shall be levied at the rate of 1% on total amount of electricity bills for the month under the head “Energy Charges” for every 1% drop or part thereof in the average power factor during the month below 90% up to 85%.

(b) In addition to the above clause, for every 1% drop or part thereof in average power factor during the month below 85% at the rate of 2% on the total amount of electricity bill for that month under the head “Energy Charges” will be charged.

6.6.2 Power Factor Rebate:

If the power factor of the consumer’s installation in any month is above 95%, the consumer will be entitled to a rebate at the rate of 0.5% (half percent) in excess of 95% power factor on the total amount of electricity bill for that month under the head “energy Charges” for every 1% rise or part thereof in the average power factor during the month above 95%.

6.7 Maximum Demand and its Measurement:

The maximum demand in kW or kVA, as the case may be, shall mean an average KW/KVA supplied during consecutive 30/15 minutes period of maximum use where such meter reading directly the maximum demand in KW/KVA has been provided.

6.8 Contract Demand:

The contract demand shall mean the maximum KW/KVA for the supply, of which the supplier undertakes to provide facilities from time to time.

6.9 Rebate for Supply at EHV:

On Energy charges:		Rebate @
(a)	If supply is availed at 33/66 kV	0.5%
(b)	If supply is availed at 132 kV and above	1.0%

6.10 Concession for Use of Electricity during Night Hours:

For the consumer eligible for using supply at any time during 24 hours, entire consumption shall be billed at the energy charges specified above. However, the energy consumed during night hours of 10.00 PM to 06.00 AM next morning (recorded by a polyphase meter operated through time-switch) as is in excess of one third of the total energy consumed during the month, shall be eligible for concession at the rate of 75 paise per unit. The polyphase meter and time switch shall be procured and installed by the consumer at his cost and sealed by the Distribution Licensee.